Registered number 342798

Cross Manufacturing Company (1938) Limited

Annual report

for the year ended 31 March 2021

Cross Manufacturing Company (1938) Limited

Annual report
for the year ended 31 March 2021

Contents

Cross Manufacturing Company (1938) Limited

Directors and advisors

Directors

R A Cross, MA (Cantab), CEng, MIMechE, MRAeS, (Chairman)
M E Bradley, MA (Cantab), ACA
E H Cross, BEng (Hons), AMIMechE
R C Cross, BEng (Hons), AMIMechE
P F Crudgington, BEng (Hons), CEng, FIMechE
M L James
D J Squire
P H Tozer, FCA

Company secretary and registered office

E A York
Midford Road
Combe Down
Bath
BA2 5RR

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

Registered number

342798

Cross Manufacturing Company (1938) Limited

Strategic report
for the year ended 31 March 2021

Review of business

The Coronavirus pandemic had a significant impact on the results for the year, with turnover down by 40% and 20% in the first and second quarters. Turnover returned to more normal levels in the third and fourth quarters, due to very strong demand from the automotive sector, offset by continued weakness in the aerospace sector. Government support, in the form of the Coronavirus job retention scheme, helped the company weather the difficult first half and maintain employment levels.

The Board reviewed the defined benefit scheme during the year and, following consultation with all affected staff, took the decision to close the scheme to future accrual with effect from 31 March 2021. Closure of the scheme will reduce costs and long-term risk. Those staff affected by this change will keep the pension benefits they have earned up to the date of closure but start to build up future pension benefits in the company's defined contribution scheme. Closure of the scheme has resulted in a large gain reported in profit for the financial year, but this gain is offset by actuarial losses reported in the statement of comprehensive income. The actuarial losses are due to a return to more normal market conditions compared to the position at the previous year end. Further details are provided in note 23.

The Trade and Cooperation Agreement that was signed shortly before the end of the Brexit transition period has effectively removed the threat of customs duties on the vast majority the company's trade with its EU customers and suppliers. Although this outcome was better than expected, Brexit has still resulted in an increase in the cost and complexity of doing business with the EU. The company's supply of goods to the EU after the end of the transition period was disrupted because carriers were not properly prepared for the new regime but this situation should improve over time. Longer term, Brexit may encourage the company's European customers to give preference to suppliers located in the EU.

The results for the year show a 15% decrease in turnover to £57.8 million (2020: £67.9 million) and a 89% increase in profit before taxation to £20.4 million (2020: £10.8 million). Included in profit before taxation is a gain of £13.4 million relating to closure of the company's defined benefit scheme, and other income of £1.9 million relating to Coronavirus job retention scheme receipts.

Excluding the £13.4 million gain resulting from closure of the defined benefit scheme, profit before taxation was £7.0 million, a decrease of 35% on the previous year's figure of £10.8 million. The profit margin for the year was 12% (including Coronavirus job retention scheme receipts) compared to the previous year's figure of 16%.

Total equity amounts to £105.1 million (2020: £103.2 million) and net cash from operating activities (before taxation) was £7.9 million (2020: £7.7 million).

Cash flow from operating activities before taxation was £7.9 million, which was slightly higher than the previous year's figure of £7.7 million. The principal reason for this increase was a £4.0 million decrease in deficit reduction contributions made to the defined benefit pension scheme, offset by lower cashflows from the reduction in the company's level of activity. Capital expenditure of £3.0 million was £3.2 million lower than the previous year's figure of £6.2 million.

Future outlook

The Coronavirus pandemic continues to dominate the news but the success of the vaccine program in the UK and other developed countries suggest that the virus is coming under control. The risk of further pandemics, either from new viruses, or variants of Coronavirus, remains a threat. The company responded well to the current pandemic, and this gives some reassurance that it will be able to weather future events of a similar nature.

The strong bounce-back in automotive sales experienced in the second half of the year is starting to moderate and return to more normal levels. This is due, in part, to the worldwide shortage in computer chips, which is expected to take some time to resolve. The aerospace sector is still badly affected, due to continuing travel restrictions, but there are signs of increased activity. It is likely, however, that it will take some time to return to pre-pandemic levels of activity and there is a risk that air travel may be permanently affected.

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The principal long-term risk facing the business continues to be the global shift away from the use of fossil fuels and the increased use of renewable energy for power generation and transportation. Although the extent and pace of change is uncertain, we expect the automotive and power generation markets to be affected first. We think that it will be much harder to de-carbonise the aerospace sector, particularly for long-haul travel and larger aircraft. Further comment is provided in the principal risks and uncertainties section below.

Despite the negative outlook, our automotive customers are still actively developing new products for existing markets and expecting moderate growth in the medium term. The company is actively exploring new markets for its technology whilst also looking to exploit existing markets to their fullest extent.

Key performance indicators

The principal performance indicators used by the Board are as follows:

	2021	2020
Decrease in turnover	**(15)%**	(4)%
Pre-tax profit margin (before pension gain of £13.4 million)	**12%**	16%

Please refer to Review of business for comments on key performance indicators.

Principal risks and uncertainties

Climate change

There is an ever-increasing focus on the need to reduce greenhouse gas emissions by reducing the use of fossil fuels. This represents a significant challenge to the company as most of its products are related to fossil-fuel technology. Governments around the world have announced ambitious targets to reduce greenhouse gas emissions and this will result in the automotive sector moving away from fossil fuels and towards electric and hydrogen-powered vehicles. Similarly, the power generation sector will increase its use of renewable energy and the aerospace sector is looking towards alternative fuels and battery-powered transport. The company is actively exploring new markets for its technology whilst also looking to exploit existing markets to their fullest extent. Although change is inevitable, the pace of change is uncertain and the fact that the company's products are used to increase the efficiency of existing technology may help to mitigate the impact.

Pandemics

The current Coronavirus pandemic has had a significant effect on demand for the company's products and has made production more difficult, because of the need to observe social distancing and hygiene restrictions. Although the automotive sector has recovered strongly, there is a risk that aerospace demand will remain depressed for some time to come and these effects could be exacerbated by subsequent waves of infection, or by new viruses emerging. The company has a strong balance sheet and good levels of liquidity, which help it weather and adapt to this type of risk.

Exchange rate movements

A substantial part of the company's income is in currencies other than sterling. A sustained shift in exchange rates could have a significant impact on profitability. Where possible, we negotiate risk-sharing arrangements with significant customers. In addition, we enter into forward contracts for the sale of future currency receipts. Forward contracts typically cover about 60% of the next year's expected receipts and 20% of the following year's receipts. Where forward contracts meet the relevant requirements, they are accounted for as cash flow hedges.

Information systems

In common with most businesses, the company is increasingly reliant on its information technology systems. This increased reliance, coupled with an increase in threats, including cyber-attacks, is a key risk to the business, as it would be unable to operate if its systems were unavailable or compromised. There is a continual process of improving the company's resilience in this area and this topic is given a high priority by the Board.

Defined benefit pension scheme

The cost of running the defined benefit pension scheme is subject to significant uncertainties, such as investment returns, price inflation, and pensioner mortality. The defined benefit pension scheme has now closed to future accrual and this has had the effect of improving funding and reducing cost and risk. The trustees use suitably qualified actuaries and investment managers to monitor and manage the scheme's funding.

Cross Manufacturing Company (1938) Limited

Brexit
Although the Trade and Cooperation Agreement has effectively removed the threat of customs duties when importing and exporting goods to and from Europe, Brexit has resulted in an increase in the cost and complexity of doing business with Europe. This has caused disruption to the supply of goods to the EU but this situation should improve over time. Longer term, Brexit may encourage our European customers to give preference to suppliers located in the EU. In addition, difficulties associated with implementing the Northern Ireland Protocol may have a knock-on impact on the Trade and Cooperative Agreement.

Competition
The loss of business to other companies, especially those based in low-wage economies, is a significant threat to the company. We are always looking for ways to improve efficiency and are alert to the threats posed by actual and potential competitors.

Technology
There is a risk that certain of our products may become obsolete at some time in the future, or that manufacturing methods or materials could be superseded. We therefore research and develop new products and techniques and also work closely with our customers' engineers to ensure that we remain at the forefront of developments.

Quality
Failure to maintain the required level of quality for our products and processes could have significant financial repercussions and also damage our reputation. The company has always prided itself on its quality standards. These standards are monitored through internal, customer and third-party quality audits.

Delivery
Failure to deliver goods when required by our customers can result in financial penalties, damage the company's reputation and ultimately result in the loss of business. The company actively monitors future orders, recruiting additional staff and investing in machinery and buildings as appropriate. Stocks of specialised raw materials are also held because of the very long lead times associated with the purchase of these materials.

On behalf of the board

Rodney Cross

R A Cross
Chairman
7 July 2021

Cross Manufacturing Company (1938) Limited

Directors' report for the year ended 31 March 2021

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2021.

Registered number

The Company's registered number is 342798.

Principal activities

The principal activity of the company is the design, development and manufacture of engineering components.

Future developments

See details of future developments within the Strategic Report.

Financial risk management

In addition to the risks outlined in the section headed "Principal risks and uncertainties" in the Strategic Report above, the company addresses other financial risks as set out below.

Credit risk

Cash deposits are only placed with financial institutions having an investment grade credit rating. The company's banks currently have the following Standard & Poor's long term credit ratings:

National Westminster Bank Plc	A
Lloyds Bank Plc	A+

Credit checks are carried out where appropriate for new and existing customers, and for suppliers to whom payments on account are made.

Liquidity risk

The company takes account of cash flow requirements when determining the period of time for which funds are placed on deposit with financial institutions.

Cash flow risk

The Board monitors the level of funds held within the business to ensure that there are sufficient funds available for working capital requirements, capital expenditure, funding of the defined benefit pension scheme, and the payment of tax liabilities and dividends. Consideration is also given to the impact of potential downturns in the level of business. Please see note 3 of the financial statements for further comments on cash flow risk in the context of going concern.

Results and dividends

Profit for the financial year, including the £13.4 million gain on closure of the defined benefit scheme to future accrual, amounted to £16.5 million (2020: £8.6 million) and total comprehensive income was £4.3 million (2020: £26.1 million).

The final dividend paid in November 2020 was 33.5% lower than the previous year and the interim dividend paid in April 2021 was 18.7% lower than the previous year. Given that the company has coped relatively well with the impact of the Coronavirus pandemic and that the outlook is more settled, the Directors recommend a final dividend of £7.80 per share. This will result in the total dividend for the year of £12.80 per share being the same as the prior year.

Dividends for the last two financial years are at a lower level than before, due to the Coronavirus pandemic. The Directors will look to increase the level of dividend as the company's financial position improves.

Cross Manufacturing Company (1938) Limited

Results and dividends (continued)

The Directors' recommendation is summarised below:

Dividend	Increase/ (decrease)	2021 £/share	2020 £/share	2021 £'000	2020 £'000
Interim - Paid 12 April 2021	(18.7)%	**5.00**	6.15	**911**	1,120
Final - Proposed - 5 November 2021	17.3 %	**7.80**	6.65	**1,420**	1,211
Total for the year	- %	**12.80**	**12.80**	**2,331**	**2,331**

The final dividend, if approved, will be paid on 5 November 2021 to all members registered as members of the Company on 1 October 2021.

Directors' insurance

The company maintains Directors' and Officers' liability insurance policies on behalf of the Directors. These policies meet the Companies Act 2006 definition of a qualifying third-party indemnity provision.

The qualifying third-party indemnity provision was in force during the financial year and at the date of approval of the financial statements.

Directors of the company

The Directors of the company who were in office during the year and up to the date of signing are shown on page 1.

The Directors retiring by rotation, Messrs ME Bradley and PF Crudgington, being eligible, offer themselves for re-election.

Cross Manufacturing Company (1938) Limited

Section 172(1) statement
The Board's approach to section 172(1) and decision-making

The duty of the Board is to promote the success of the company for the benefit of its members as a whole, whilst having regard to

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The duty to promote the success of the company and to act fairly as between the members of the company is fully understood by the Board and underpins all decisions. Cross Manufacturing is a private company, with a stable shareholder and customer base. The company's long-term ethos is evidenced by its track record of decisions. In addition, the market sectors it supplies demand continuity and a long-term approach.

The interests of employees have always been part of the Board's thinking, particularly in relation to health and safety, pay and benefits. This is demonstrated by an excellent safety record, very low staff turnover and a substantial number of staff with long service. The Board is committed to equal opportunities in employment, including for disabled people.

The need to foster good relationships with customers is a high priority and is evidenced by good customer retention rates. Due to the nature of the industries in which the company operates, there is very regular contact with customers and continual monitoring by them of our delivery and quality performance. This is further reinforced by regular audits carried out by customers and other bodies, to ensure compliance with customer and industry standards. Good relations with suppliers are also needed due to the specialised nature of materials purchased and the impact of any supplier quality or delivery failures on the company's business. The selection of suppliers and monitoring of their performance is built into the company's quality systems. We also ensure that our suppliers are paid promptly, and in line with best practice.

The company actively engages with the local community, and this includes hosting visits to our factories and museum. We also support a number of local charities. The Bath factory is in a residential area and the company has always consulted with neighbours when making changes that could affect them.

The company has held the environmental accreditation ISO 14001 for a number of years and is actively working to reduce its energy usage and environmental impact.

The industries served by us demand high standards of business conduct and these are reflected in the company's policies on ethics, confidentiality and anti-bribery and corruption.

Engagement with employees

The company provides employees with information on matters of concern to them as employees via:

- regular meetings with managers and supervisors who communicate with their teams and who feed back any concerns from staff;
- a monthly letter from the Board updating staff on the company's progress, including the financial and economic factors affecting the company; and
- a relatively flat management structure, which encourages open and direct communication.

Employees participate in the company's performance through an annual and, for certain staff, a monthly bonus arrangement.

During the Coronavirus pandemic, the company followed all government guidelines and implemented social distancing and hygiene measures, which resulted in a low incidence of cases at work.

During the year the company engaged in a consultation process with all staff affected by the proposed changes to the defined benefit pension scheme. This process included one-to-one meetings with pension consultants to ensure that the changes were properly communicated to individual members of staff.

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Engagement with suppliers, customers and others in a business relationship with the company

As stated above, the company's long-term success is very dependent on fostering good business relationships with suppliers, customers and others. The company adopts an open and collaborative approach, and this is evidenced by the stability of its customer, supplier and advisor base.

Other than decisions taken in the normal course of business, the principal matter where the directors have needed to have regard to the interests of suppliers, customers or other parties who have business relationships with the company was in relation to the impact of the Coronavirus pandemic. We have maintained good communications with third parties throughout the pandemic, issuing regular updates via our website and through individual contacts. We have adapted our production to align with customer requirements and have honoured our commitments to all suppliers.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Cross Manufacturing Company (1938) Limited

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report".

Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Policy and practice on payment of creditors

It is company policy to comply with the terms of payment agreed with a supplier. Where payment terms are not negotiated, the company endeavours to adhere to the supplier's standard terms. The company pays creditors in accordance with agreed payment terms on receipt of valid invoices. At the end of the year, trade creditors represented the equivalent of 25 days' purchases (2020: 28 days).

Employees

The company is committed to the principle of equal opportunity in employment. The company recognises its responsibilities to disabled people and endeavours to assist them to make their full contribution at work. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. Should employees become disabled, it is the company's policy to continue their employment where possible with appropriate training and redeployment where necessary. Training and career development programmes are designed on an individual basis for all employees so that the particular need and aptitudes of each person can be best met and developed.

Health and safety

Health and safety continues to receive major attention, not merely to conform to legal requirements, but positively to develop and maintain high standards.

Environment

Company environmental performance is continuously monitored. Annual performance objectives are set, alongside a range of activities that support the ISO14001 accreditation held. These include the monitoring and control of utility usage, waste streams and emissions to air and water.

Streamlined Energy and Carbon Reporting ("SECR")

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires the company to disclose annual UK energy consumption and Greenhouse Gas ("GHG") emissions from SECR regulated sources. Energy and GHG emissions have been independently calculated by Envantage Ltd for the reporting period 1st April 2020 to 31st March 2021.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where the company has operational control.

The table below details the regulated SECR energy and GHG emission sources from the current reporting period, including a comparison to last year's figures.

Cross Manufacturing Company (1938) Limited

	2021	2020
Energy (kWh)		
Natural Gas	4,526,398	5,442,350
Electricity	9,789,979	10,485,486
Transport	18,046	55,735
Total Energy (kWh)	**14,334,423**	**15,983,571**
Emissions (tCO2e)		
Natural Gas	832.3	1,000.6
Electricity (location-based)	2,282.4	2,680.1
Transport	4.4	13.6
Total SECR emission	**3,119.1**	**3,694.3**
Electricity (market-based) in tCO2	*2,582.97*	*2,633.7*
Intensity metric		
SECR emissions per intensity metric (tCO2e / Turnover in £ million)	**54.0**	**54.4**

The company is committed to reducing its environmental impact and has made a new commitment to 'Net Zero Carbon emissions by 2050' A specific, formal objective 'to reduce our carbon footprint' has been included in the company's ISO 14001-certified Environmental Management System (EMS). Measures to reduce the company's carbon footprint, in the reporting period, have included the energy efficient refurbishment of existing buildings as well as the energy-efficient design of new ones. For example, the new warehouse/office building at Devizes was assessed and awarded an energy efficiency rating of A, better than that of 'benchmark new' buildings, for its Energy Performance Certificate. The company also increased the amount of electricity generated from onsite roof-top solar PV arrays in the reporting period.

Data Records & Methodology

GHG emissions have been calculated using emissions factors published by BEIS in 2020. Electricity emissions are reported using both location and market-based factors. Location-based emissions have been calculated using the UK grid emissions factor published by BEIS, and market-based emissions have been calculated using supplier-specific fuel mix disclosures, in gCO_2/kWh, for 2019 - 2020 representing the contractual arrangements in place.

All electricity and natural gas emissions have been calculated using metered kWh consumption taken from supplier invoices except for one rented storage building, where the landlord's data has been used.

Transport emissions have been calculated using purchased fuel, where available. The value of fuel purchased was converted to volumes of fuel using monthly average fuel prices across the UK, as published by UK government. Where fuel volumes were not available, data for mileage claims has been provided. The average UK split between petrol and diesel was used to determine the fuel split in the fleet. Mileage was converted into energy consumption and GHG emissions, using the most recent emissions factors published by BEIS in 2020.

On behalf of the board

Rodney Cross

R A Cross
Chairman
7 July 2021

Cross Manufacturing Company (1938) Limited

Independent auditors' report to the members of Cross Manufacturing Company (1938) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cross Manufacturing Company (1938) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 March 2021; the profit and loss account, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

Independent auditors' report to the members of Cross Manufacturing Company (1938) Limited (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to direct and indirect tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting of inappropriate journal entries to manipulate financial results; management bias in accounting estimates; and inappropriate treatment of significant transactions outside of the normal course of business. Audit procedures performed by the engagement team included:

Independent auditors' report to the members of Cross Manufacturing Company (1938) Limited (continued)

- Discussions with management in respect of any known or suspected instances of non-compliance with laws and regulation and any fraud matters;
- Challenging assumptions and judgements made by management for evidence of bias in determining significant accounting estimates including actuarial assumptions used in determining the defined benefit obligations and inventory provision;
- Identifying and testing unusual journal entries, in particular those posted with unusual account combinations such as those increasing revenue or those reducing expenditure; and
- Gaining an understanding and testing any significant transactions outside of the normal course of business during the year.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Duncan Stratford

Duncan Stratford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
7 July 2021

Cross Manufacturing Company (1938) Limited

Profit and loss account
for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Turnover	5	**57,834**	67,946
Cost of sales		**(46,792)**	(51,703)
Gross profit		**11,042**	16,243
Net operating expenses	6	**(6,245)**	(5,296)
Net operating expenses – curtailment gain	23	**13,415**	-
Operating profit		**18,212**	10,947
Other income	9	**1,866**	-
Interest receivable and similar income	10	**298**	238
Interest payable and similar expenses	10	**-**	(421)
Profit before taxation	11	**20,376**	10,764
Tax on profit	12	**(3,870)**	(2,157)
Profit for the financial year		**16,506**	8,607

Statement of comprehensive income
for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Profit for the financial year		**16,506**	8,607
Other comprehensive (expense)/income			
Remeasurements of net defined benefit asset	23	**(16,221)**	21,687
Cash flow hedge		**1,096**	(541)
Tax on components of other comprehensive (expense)/income	12	**2,874**	(3,670)
Other comprehensive (expense)/income for the year		**(12,251)**	17,476
Total comprehensive income for the year		**4,255**	26,083

Cross Manufacturing Company (1938) Limited

Balance sheet as at 31 March 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	14	**830**	865
Tangible assets	15	**29,475**	30,676
		30,305	31,541
Current assets			
Inventories	16	**24,145**	25,344
Debtors (including £nil (2020:£nil) due after more than one year)	17	**18,768**	18,776
Post-employment benefits (including £9,987,000 (2020: £10,021,000) due after more than one year)	23	**9,987**	10,021
Investments	18	**20,051**	13,034
Cash at bank and in hand		**11,568**	16,044
		84,519	83,219
Creditors: amounts falling due within one year	19	**(6,646)**	(8,667)
Net current assets		**77,873**	74,552
Total assets less current liabilities		**108,178**	106,093
Provisions for liabilities	20	**(3,061)**	(2,900)
Net assets		**105,117**	103,193
Capital and reserves			
Called up share capital	21	**182**	182
Cash flow hedge reserve		**712**	(384)
Retained earnings		**104,223**	103,395
Total equity		**105,117**	103,193

The financial statements on pages 14 to 35 were approved by the Board of Directors and were signed on its behalf by:

M E Bradley
Director
7 July 2021

Registered number: 342798

Cross Manufacturing Company (1938) Limited

Statement of changes in equity for the year ended 31 March 2021

	Note	Called up share capital	Cash flow hedge reserve	Retained Earnings	Total equity
		£'000	£'000	£'000	£'000
Balance as at 1 April 2019		182	157	79,685	80,024
Profit for the financial year		-	-	8,607	8,607
Other comprehensive (expense)/income for the year		-	(541)	18,017	17,476
Total comprehensive (expense)/income for the year		-	(541)	26,624	26,083
Dividends	13	-	-	(2,914)	(2,914)
Total transactions with owners, recognised directly in equity		-	-	(2,914)	(2,914)
Balance as at 31 March 2020		182	(384)	103,395	103,193
Balance as at 1 April 2020		**182**	**(384)**	**103,395**	**103,193**
Profit for the financial year		-	-	**16,506**	**16,506**
Other comprehensive (expense)/income for the year		-	**1,096**	**(13,347)**	**(12,251)**
Total comprehensive (expense)/income for the year		-	**1,096**	**3,159**	**4,255**
Dividends	13	-	-	**(2,331)**	**(2,331)**
Total transactions with owners, recognised directly in equity		-	-	**(2,331)**	**(2,331)**
Balance as at 31 March 2021		**182**	**712**	**104,223**	**105,117**

Cross Manufacturing Company (1938) Limited

Statement of cash flows
for the year ended 31 March 2021

		2021	2020
Cash flow from operating activities	**Note**	**£'000**	£'000
Profit for the financial year		**16,506**	8,607
Tax on profit		**3,870**	2,157
Other income		**(1,866)**	-
Interest payable and similar expenses		**-**	421
Interest receivable and similar income		**(298)**	(238)
Operating profit		**18,212**	10,947
Amortisation of intangible assets		**213**	95
Depreciation of tangible assets		**4,057**	4,050
(Profit)/loss on disposal of tangible assets		**(30)**	33
Post-employment benefits less payments		**(2,542)**	(6,279)
Curtailment gain		**(13,415)**	-
Other income		**1,847**	-
Working capital movements			
- Decrease/(increase) in inventories		**1,199**	(194)
- Decrease/(increase) in debtors		**342**	(1,065)
- (Decrease)/increase in creditors		**(1,947)**	158
Net cash from operating activities		**7,936**	7,745
Taxation paid		**(153)**	(1,809)
Net cash generated from operating activities		**7,783**	5,936
Cash flow from investing activities			
Purchase of intangible assets		**(178)**	(485)
Purchase of tangible assets		**(2,982)**	(5,782)
Proceeds from disposal of tangible assets		**156**	75
(Purchase)/sale of investments		**(7,017)**	9,966
Interest received		**93**	293
Net cash (used in)/generated from investing activities		**(9,928)**	4,067
Cash flow from financing activities			
Dividends paid	13	**(2,331)**	(2,914)
Net cash used in financing activities		**(2,331)**	(2,914)
Net (decrease)/increase in cash and cash equivalents		**(4,476)**	7,089
Cash and cash equivalents at the beginning of the year		**16,044**	8,955
Cash and cash equivalents at the end of the year		**11,568**	16,044

Notes to the financial statements for the year ended 31 March 2021

1 General Information

Cross Manufacturing Company (1938) Limited (the 'company') is a private company limited by shares and is incorporated in England. The address of its registered office is Midford Road, Combe Down, Bath BA2 5RR.

2 Statement of compliance

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going Concern

The company meets its day-to-day working capital requirements through its cash reserves. The Coronavirus pandemic had a significant effect on the business, particularly in the first half of the year. The company responded by reducing discretionary purchases and capital expenditure and maintaining strict control over customer credit balances. These actions, together with support from the government's Coronavirus job retention scheme, enabled the company to maintain and improve cash balances. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Foreign currency

The company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

3 Summary of significant accounting policies (continued)

Revenue recognition
Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of any returns, discounts or rebates allowed by the company and net of value added taxes.

The company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably; and (d) it is probable that future economic benefits will flow to the entity. These conditions are usually satisfied when delivery has taken place as defined in the contract with the customer.

Interest income is recognised on an accruals basis.

Employee pensions
For certain employees, the company makes defined contribution pension payments into individual pension plans which are managed by a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset recognised in the balance sheet in respect of the defined benefit plan is the fair value of the plan assets less the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

Defined benefit plan assets are measured at market value.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, comprises the increase in pension benefit liability arising from employee service during the period.

The net interest income/expense is calculated by applying the discount rate to the fair value of plan assets less the net balance of the defined benefit obligation. This is recognised in profit or loss as 'Interest receivable and similar income' or 'Interest payable and similar expenses' as appropriate.

Gains arising on curtailment are recognised in the profit and loss account.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts, together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

Government grants

The Coronavirus Job Retention Scheme was utilised in the current year and has been accounted for as a government grant. This has been included in the 'other income' line item. There are no unfulfilled conditions or other contingencies attaching to these grants. The company did not benefit directly from any other forms of government assistance.

3 Summary of significant accounting policies (continued)

Taxation
Taxation expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, other comprehensive income or directly in equity in accordance with where the related transaction is recognised.

Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for deferred tax assets, which are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Intangible assets
Computer software is stated at cost less accumulated amortisation and any accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Tangible assets
Tangible assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost, less residual value, over the estimated useful lives as follows:

Freehold buildings	-	up to 50 years
Plant and machinery	-	3 to 10 years

Repairs, maintenance and minor inspection costs are expensed as incurred.

Assets in the course of construction are not depreciated until they are available for use.

Impairment of non-financial assets
At each balance sheet date, non-financial assets are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the carrying amount of the asset (or asset's cash generating unit) is reduced to its recoverable amount. Any impairment loss is recognised in the profit and loss account.

The recoverable amount of the asset (or asset's cash generating unit) is the higher of: the fair value less costs to sell; and value in use.

Investments
Investments comprise term deposits with original maturities of between 3 and 12 months.

3 Summary of significant accounting policies (continued)

Inventories
Inventories are stated at the lower of cost and net realisable value (estimated selling price less costs to complete and sell). Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined at an individual batch level. The cost of manufactured products and work in progress includes raw materials, subcontract processes, direct labour and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Provisions and contingencies
Provisions are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Contingent liabilities arise as a result of past events when: it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date; or when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control.

Contingent liabilities are not recognised. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments
The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including trade and other receivables, bank balances and deposits are initially recognised at transaction price and subsequently at amortised cost and are derecognised when: the contractual right to the cash flows from the asset expire or are settled; or when ownership or control of the asset has been transferred to a third party.

At the end of each reporting period basic financial assets are assessed for evidence of impairment. Any impairment loss is recognised in profit or loss.

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price and subsequently at amortised cost and are derecognised when the liability is extinguished.

Derivatives, comprising forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss except where the company has chosen to adopt hedge accounting. Where the company has chosen to account for forward foreign exchange contracts as cash flow hedges, changes in the fair value of such hedges are recognised directly in equity until the hedge relationship ends or the hedge becomes ineffective, at which time the cumulative change in fair value of the hedge is recognised in profit or loss.

3 Summary of significant accounting policies (continued)

Share capital
Ordinary shares are classified as equity.

Distributions to equity holders
Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Directors can propose final dividends to be approved by members. Dividends become a legally binding liability when approved by members in a general meeting, regardless of the date on which it is to be paid. A proposed unapproved final dividend is not a legal obligation to shareholders at the balance sheet date.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually.

They are amended when necessary to reflect current estimates. See note 15 for the carrying amount of the property plant and equipment and note 3 for the useful economic lives for each class of assets.

Inventory provisioning
The company holds inventories of raw materials, components and finished goods in excess of customer requirements. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. The impact of the Coronavirus pandemic on future sales and usage of raw materials was assessed and this resulted in an additional provision of £2.1m for the year ended 31 March 2020. No further Coronavirus-specific provisions were required for the year ended 31 March 2021.

Defined benefit pension scheme
The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 23 for the disclosures relating to the defined benefit pension scheme.

Included within the pension scheme asset value of £137.2 million as at 31 March 2020 was an amount of £5.6 million, comprising 4.1% of the total, which related to a UK property fund. The Royal Institute of Chartered Surveyors ("RICS") advised that all property valuations as at 31 March 2020 were uncertain given the lack of transactional evidence to assess comparable property transaction values. The company concluded that any uncertainty would not result in a material misstatement. Pension scheme asset values as at 31 March 2021 are not subject to similar levels of uncertainty.

5 Turnover

Turnover is derived from substantially the same class of business, namely the design, development and manufacture of engineering components.

	2021	2020
	£'000	£'000
The geographical markets supplied are as follows:		
United Kingdom	**7,992**	10,124
Other European Community	**18,359**	23,904
North America	**13,100**	17,627
Other	**18,383**	16,291
	57,834	67,946

6 Net operating expenses

	2021	2020
	£'000	£'000
Distribution costs	**1,216**	1,542
Administrative expenses	**5,029**	3,754
	6,245	5,296

7 Directors' emoluments

	2021	2020
	£'000	£'000
Aggregate emoluments (including benefits in kind)	**3,984**	4,155

Retirement benefits are no longer accruing to any directors.

Aggregate emoluments include amounts paid to:

	2021	2020
	£'000	£'000
Highest paid director		
Aggregate emoluments	**576**	585
Defined benefit pension scheme:		
Accrued pension at end of year	**34**	33

8 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2021	2020
	Number	Number
By activity		
Production	461	480
Administration	47	47
	508	527

Staff costs for the above persons were:

	2021	2020
	£'000	£'000
Wages and salaries	22,464	23,035
Social security costs	2,583	2,744
Other pension costs	3,586	3,673
	28,633	29,452

The directors comprise the key management personnel of the company.

9 Other income

	2021	2020
	£'000	£'000
Government grants	1,866	-

10 Net interest income/(expense)

Interest receivable and similar income	2021	2020
	£'000	£'000
Bank interest received	66	238
Corporation tax interest received	2	-
Interest receivable on defined benefit pension	230	-
	298	238
Interest payable and similar expense		
Interest payable on defined benefit pension	-	(421)
Net interest income/(expense)	298	(183)

11 Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2021	2020
	£'000	£'000
Inventory recognised as an expense	41,055	46,132
Depreciation and amortisation		
Intangible assets	213	95
Tangible assets	4,057	4,050
(Reversal of impairment)/impairment of inventory	(22)	2,346
(Reversal of impairment)/impairment of trade debtors	(30)	30
Fees payable to the company's auditors for the audit:		
Audit of the financial statements of the company	46	49
Fees payable to the company's auditors for other services:		
Fees payable in respect of the company pension scheme	-	9
Tax compliance	17	15
Foreign exchange loss/(gain)	713	(437)
Research and development costs	339	288
GMP Equalisation	31	-
(Gain)/loss on disposal of tangible fixed assets	(30)	33

12 Tax on profit

(a) Tax expense included in profit or loss

	2021	2020
	£'000	£'000
Current Tax		
United Kingdom corporation tax at 19% (2020: 19%) on profits for the year	832	1,957
Adjustment in respect of prior year	3	-
Total current tax	835	1,957
Deferred Tax		
Origination and reversal of timing differences	3,038	97
Adjustment in respect of prior year	(3)	-
Changes in tax rates or laws	-	103
Total deferred tax	3,035	200
Tax charge on profit	3,870	2,157

12 Tax on profit (continued)

(b) Tax (income)/expense included in other comprehensive (expense)/income

	2021	2020
	£'000	£'000
Current Tax		
Corporation tax credit in respect of additional pension contributions	-	(1,113)
Total current tax	-	(1,113)
Deferred tax		
Origination and reversal of timing differences	(2,874)	5,130
Impact of change in tax rate	-	(347)
Total deferred tax	(2,874)	4,783
Tax (income)/expense included in other comprehensive income/(expense)	(2,874)	3,670

(c) Reconciliation of tax charge

The tax assessed in each year varies from the standard rate of corporation tax in the UK in the relevant years. The differences are explained below:

	2021	2020
	£'000	£'000
Profit before tax	20,376	10,764
Profit before tax multiplied by standard rate of UK corporation tax of 19% (2020: 19%)	3,871	2,045
Permanent differences	(1)	9
Change in tax rates or laws	-	103
Total tax charge for the year	3,870	2,157

Factors affecting current and future tax charge

In the 2021 Spring Budget, the government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. Had the change been substantively enacted at the balance sheet date, it would have resulted in a £1,296,000 charge to income statement, a £329,000 credit to the statement of other comprehensive income and an increase in the deferred tax balance of £967,000.

13 Dividends

	2021	2020
	£'000	£'000
Equity – Ordinary		
Interim dividend of £6.15 paid 10 April 2020 (2019: £6.00)	**1,120**	1,093
Final dividend of £6.65 paid 5 November 2020 (2019: £10.00)	**1,211**	1,821
	2,331	2,914

On 9 December 2020 the Board approved an interim dividend of £5.00 per share (2020: £6.15), which was paid in full on 12 April 2021.

On 7 July 2021 the Board approved a final dividend of £7.80 per share (2020: £6.65) which, if approved at the Annual General Meeting, will be paid on 5 November 2021.

14 Intangible assets

	Software
	£'000
Cost	
At 1 April 2020	1,585
Additions	178
At 31 March 2021	**1,763**
Accumulated amortisation	
At 1 April 2020	720
Charge for the year	213
At 31 March 2021	**933**
Net book value	
At 31 March 2021	**830**
At 31 March 2020	865

Cross Manufacturing Company (1938) Limited

15 Tangible assets

	Assets in course of construction	Freehold land and buildings	Plant and Machinery	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2020	2,197	13,775	56,953	72,925
Additions	1,380	1,051	551	2,982
Transfers	(2,502)	1,521	981	-
Disposals during the year	-	-	(1,050)	(1,050)
At 31 March 2021	**1,075**	**16,347**	**57,435**	**74,857**
Accumulated depreciation				
At 1 April 2020	-	3,978	38,271	42,249
Charge for the year	-	295	3,762	4,057
Eliminated in respect of disposals	-	-	(924)	(924)
At 31 March 2021	-	**4,273**	**41,109**	**45,382**
Net book value				
At 31 March 2021	**1,075**	**12,074**	**16,326**	**29,475**
At 31 March 2020	2,197	9,797	18,682	30,676

16 Inventories

	2021	2020
	£'000	£'000
Raw materials and bought out parts	**6,737**	8,558
Work in progress	**9,700**	9,266
Finished goods	**7,708**	7,520
	24,145	25,344

17 Debtors

	2021	2020
	£'000	£'000
Amounts falling due within one year		
Trade debtors	**16,412**	16,637
Corporation tax	**-**	562
Other debtors	**586**	766
Derivative financial instruments	**902**	-
Prepayments and accrued income	**868**	811
Total amounts falling due within one year	**18,768**	18,776
Amounts falling due after more than one year	**-**	-
Total amounts falling due after more than one year	**-**	-
	18,768	18,776

Trade debtors includes £nil (2020: nil) falling due after more than one year.

18 Investments

Investments comprise short term bank deposits which have an original maturity of between 3 and 12 months. At the balance sheet date, the average maturity was 3 months (2020: 4 months) and the average interest rate was 0.15% (2020: 0.61%).

19 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	**1,747**	3,179
Corporation tax	**120**	-
Other taxation and social security	**618**	753
Other creditors	**436**	313
Derivative financial instruments	**-**	429
Accruals and deferred income	**3,725**	3,993
Total amounts falling due within one year	**6,646**	8,667

20 Provisions for liabilities

The movement in the deferred tax liability/(asset) is as follows:

	2021	2020
	£'000	£'000
Deferred tax liability/(asset) at the beginning of the year	**2,900**	(2,083)
Charged to profit and loss account	**3,035**	200
(Credited)/charged to other comprehensive (expense)/income	**(2,874)**	4,783
Deferred tax liability at the end of year	**3,061**	2,900

The total amount of unprovided deferred tax is £nil (2020: £nil)

Deferred taxation provided in the financial statements is as follows:

	2021	2020
	£'000	£'000
Tax effect of timing differences because of:		
Excess of capital allowances over depreciation	**841**	924
Other short-term timing differences	**322**	72
Deferred tax asset on post-employment benefits	**1,898**	1,904
Total deferred tax liability	**3,061**	2,900

21 Called up share capital

	2021	2020
	£'000	£'000
Issued and fully paid		
182,113 (2020: 182,113) Ordinary shares of £1 each	**182**	182

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends or the repayment of capital.

22 Financial instruments

The company has the following financial instruments:

	Note	2021	2020
	Note	**£'000**	£'000
Financial assets that are debt instruments measured at amortised cost			
Trade debtors		**16,412**	16,637
Other debtors		**586**	766
Investments	16	**20,051**	13,034
		37,049	30,437
Financial assets measured at fair value through profit or loss			
Derivative financial instruments		**902**	-
		902	-
Financial liabilities measured at amortised cost			
Trade creditors		**1,747**	3,179
Other creditors		**436**	313
		2,183	3,492
Financial liabilities measured at fair value through profit or loss			
Derivative financial instruments		**-**	429
		-	429

Derivative financial instruments

The company enters into forward foreign currency contracts to mitigate exchange rate risk for certain foreign currency receivables. At 31 March 2021 the company has entered into forward exchange contracts to sell $9.7 million (2020: $12.3 million) and €17.2 million (2020: €18.6 million) at various times in the future up to February 2023.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP: USD and GBP: EUR.

23 Post-employment benefits

The company operates two pension schemes for its employees.

The amounts recognised in the profit and loss account are as follows:

	2021	2020
	£'000	£'000
Defined benefit scheme – current service cost	1,917	2,124
Gain on plan curtailment	(13,415)	-
GMP equalisation – past service cost	31	-
Defined contribution scheme	1,598	1,549
Total (credit)/charge in operating profit	(9,869)	3,673
Defined benefit scheme – net interest (income)/expense	(230)	421
Total (credit)/charge	(10,099)	4,094

The defined benefit scheme was closed to new entrants with effect from 1 July 2006 and closed to future accrual with effect from 31 March 2021. A defined contribution scheme was set up for all employees joining the company after 1 July 2006.

Defined benefit scheme

The company operates a contributory pension scheme providing benefits based on final pensionable pay which closed to future accrual from 31 March 2021. A full actuarial valuation was carried out as at 1 July 2019 and updated to 31 March 2021.

The decision to close the pension scheme to future accrual has resulted in an accounting gain of £13.4 million, which is included in profit for the financial year. This gain is due to the removal of the link to future salary increases. Offsetting this gain, however, were changes in actuarial assumptions which resulted in a loss of £15.9 million. This loss is included in remeasurements of net defined benefit asset in the statement of comprehensive income, rather than in profit for the financial year. A large part of this loss is due to market conditions returning to more normal levels compared to the position when the Coronavirus pandemic started.

The defined benefit pension asset, as measured on the FRS102 accounting basis and disclosed in these financial statements, was £10.0 million as at 31 March 2021 (2020: £10.0 million).

Future service contributions for the defined benefit pension scheme were made at a rate of 34.6% of active employees' pensionable earnings for the year ended 31 March 2021. Closure of the scheme to future accrual means that future service contributions have ceased with effect from 1 April 2021 but the company is required to make contributions of £0.2 million per annum in respect of the cost of administering the pension scheme. In addition, the schedule of contributions requires the company to make deficit repair contributions of £2.5 million per annum. Those employees that were members of the defined benefit scheme are now enrolled in the company's defined contribution scheme, to which the company contributes an average of 11% of employee earnings.

The Trustees value the liabilities of the pension scheme on a self-sufficiency basis, which is different from the basis which the FRS102 accounting standard requires to be used in these accounts. The self-sufficiency basis assumes that, once the scheme is 100% funded, it can adopt a low-risk investment strategy and pay members' benefits with less need to call on the company for additional funding. The actuarial valuation, on a self-sufficiency basis, showed a deficit of £37.4 million as at 1 July 2019, a deficit of £33.6 million at 31 March 2020 and a deficit of £4.4 million at 31 March 2021 (following closure to future accrual). The Trustees are reviewing the scheme's funding position with a view to reducing risk and volatility and, in the long term, moving to a basis where the scheme's liabilities are bought out by an insurance company.

23 Post-employment benefits (continued)

The GMP is the minimum pension which occupational pension schemes have to provide for those employees who were contracted out of the State Earnings Related Pensions Scheme (SERPS) between 6 April 1978 and 5 April 1997. In October 2018, the High court ruled that all pension schemes must equalise for the effect of unequal GMPs accrued between those dates. The company commissioned a report from its actuary and made provision for this cost in the profit for the financial year ended 31 March 2019. A further High Court ruling in November 2020 requires schemes to adjust all transfer payments made since 17 May 1990 for the effect of unequal GMPs. The amounts recognised in the profit and loss account for the year ended 31 March 2021 include a charge of £31,000 (2020: £nil) relating to this additional GMP equalisation requirement.

The financial assumptions used by the actuary were as follows:

	2021	2020
Discount rate	**2.1%**	2.30%
Inflation	**3.4%**	2.70%
Salary increases	**N/A**	3.70%
Pension increases (Post 1995 accrual)	**3.65%**	3.35%
Pension increases (Post 2017 accrual)	**2.35%**	2.10%

The mortality assumptions used were as follows:

	Years	Years
Expected age at date of death for current pensioners:		
- Males	**87.6**	87.6
- Females	**89.6**	89.6
Expected age at date of death for future pensioners:		
- Males	**89.3**	89.3
- Females	**91.4**	91.3

23 Post-employment benefits (continued)

Reconciliation of scheme assets and liabilities

	Assets	Liabilities	Total
	£'000	£'000	£'000
At 1 April 2020	137,194	(127,173)	**10,021**
Employer contribution	4,490	-	**4,490**
Employee contribution	276	(276)	-
Benefits paid	(6,304)	6,304	-
Current service cost	-	(1,917)	**(1,917)**
Past service cost	-	(31)	**(31)**
Gain on plan curtailment	-	13,415	**13,415**
Interest income/(expense)	3,155	(2,925)	**230**
- Return on scheme assets excluding interest income	(1,199)	-	**(1,199)**
- Actuarial gains	-	904	**904**
- Changes in assumptions	-	(15,926)	**(15,926)**
At 31 March 2021	**137,612**	**(127,625)**	**9,987**

Total cost recognised as (income)/expense:

	2021	2020
	£'000	£'000
Current service cost	**1,917**	2,124
Gain on plan curtailment	**(13,415)**	-
Past service cost - GMP equalisation	**31**	-
Interest (income)/cost	**(230)**	421
	(11,697)	2,545

The return on scheme assets was:

	2021	2020
	£'000	£'000
Interest income	**3,155**	2,819
Return on scheme assets excluding interest income	**(1,199)**	11,972
	1,956	14,791

23 Post-employment benefits (continued)

The fair value of the scheme assets was:

	2021	2020
	£'000	£'000
Equities	**16,300**	10,876
Diversified growth	**28,811**	22,697
Property	**5,561**	5,631
Bonds	**45,652**	37,673
Liability-driven investments	**37,329**	52,180
Annuities	**2,664**	2,548
Cash	**1,295**	5,589
	137,612	137,194

Defined contribution scheme

Total cost recognised as an expense:

	2021	2020
	£'000	£'000
Current service cost	**1,598**	1,549
	1,598	1,549

24 Capital commitments

	2021	2020
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**1,191**	1,777

25 Ultimate controlling party

The company does not have a known ultimate controlling party as the current share distribution gives no individual party or group overall control over the company.